

Contract Life file
[Signature]

18 August 1983

MEMORANDUM FOR THE RECORD

SUBJECT:
Contract Life;

This memorandum is to document a telecon between myself and Mr. Norman Conway regarding continuing obligations if any to policyholders under the old contract Life program, GLG-3262. Mr. Conway confirmed that there is one remaining policyholder under GLG-3262. That person is who enrolled in GLG-3262 on 24 June 1974 for \$15,000 coverage. was disabled on 23 December 1975 and therefore has been continued under the Contract Life program with waiver of premiums in effect. coverage under GLG-3262 will remain in effect with waiver of premiums and without limitations until her death. \$15,000 has been set aside as a reserve in account #256 (contingency reserve for Contract Life) and will be held until GLG-3262 is completely cleared.



There is an additional amount of \$10,666 currently entered within acct 256. Per the attached memo from Mutual, this fund was ~~not~~ ^{an internal} strictly an internal use, ^{Per 646-3262} as this Mutual, was not reimbursable to CEHA and therefore should not

be carried as an asset ~~within~~ ^{on} our accounts

This is particularly true considering the ^{liability} policy holder under 646-3262 is covered under a separate reserve account. It is the

~~auditor~~ audit team's opinion, which we support,


That the \$10,666 should be deleted from our accounts by reversing the original entry.

Miss Patterson has been so instructed. STAT



October 30, 1970

STAT


Government Employees Health Assn.
P. O. Box 463
Washington, D.C. 20044

Dear Mr. DeFelice:

When Policy GLG-3262 was originally written, our retention formula called for a special contingency fund set up on smaller group programs. These contingency funds were set up against adverse experience and, in effect, were a pooling fund.

Under Policy GLU-414, the \$60,000 of refund is a special deposit agreed to between your organization and United Benefit and it was agreed to be held at interest and is a refundable reserve.

Under Policy GLG-3262, our contingency fund formula was applied to use it against adverse experience as indicated. This fund was accumulated in the early 1960's and eventually reached a maximum of \$21,882 on May 1, 1966. This balance, as you know, was reduced to \$13,803 last year when we used \$8,079 to offset poor experience. This fund does not earn interest and is a nonrefundable reserve. Since that time, we have changed our retention formula and you will note that since it is outdated, no contributions of any sort will be made toward the contingency fund arrangement.

We are pleased to hear that the Civil Service Commission has notified you that our request for benefit and rate changes for 1971 has been approved.

Yours sincerely,

A. W. Randall
Executive Vice President

AWR:MR

cc: Norman C. Conway

cc: Joseph E. Jones

*File
Control*
5 November 1970

MEMORANDUM FOR THE RECORD:

The 1968-69 policy year for Contract Life ended with claims and policy changes exceeding premiums by \$8,079. The accounting statement for that year referenced the transfer of this amount from the "Contingency Fund"; however, no such fund or balance thereof was mentioned in previous accounting statements. I asked Norman Conway about this and he replied by letter of April 3, 1970 indicating the balance of the fund, how it had accumulated, and that no future contributions would be made to it. He also indicated the Fund balance would be shown on future statements.

Insurance Branch was being audited at that time and Auditor [] expressed the opinion that this Contingency Fund should be reflected on GEHA's books as an asset in similar manner to the UBLIC Contingency Reserve held by the underwriter.

When the accounting statement for the 1969-70 policy year was received, I noted that the Contingency Fund balance was the same and no interest income was credited to it. In response to our letter on this point Al Randall wrote a letter dated 30 October 1970 in which he stated that the Contract Life contingency fund is a nonrefundable reserve which draws no interest, as opposed to the \$60,000 of UBLIC money which is a special deposit agreed to by both parties of the contract and which is refundable and interest bearing.

This subject was reviewed in a meeting with C/BSO and DD/Pers/SP on 3 November 1970 and it was agreed that the Randall reply of 30 October 1970 would be accepted without further exchange. At this point, I indicated that this then meant the Contract Life contingency fund should not be put on the GEHA books since it is a nonrefundable item and an asset of the underwriter rather than GEHA.

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Chief, Insurance Branch